SAFETY & SECURITY MARKET BRIEF
PHILIPPINES
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Summary

Although the Philippine market has become more price-conscious in recent years, demand for safety and security products is expected to surge due to the growing need to protect commercial and industrial establishments, residential communities, sensitive infrastructure and life and personal property. New security-related technologies and solutions continue to be introduced to the local market, as there is growing interest in their varied and specialized applications. Meanwhile, the Philippine government's current campaign against terrorism and criminality has stressed the importance of such security provisions. Industry estimates the safety and security market to be between USD 35 to 50 million, and industry players project a 10 to 15 percent annual increase in sales of safety and security products over the next two to three years.

Market Overview and Trends

In making purchase decisions, Philippine safety and security buyers generally put price considerations on equal footing with product quality.

Two major marketing levers for US safety and security brands in the Philippines are the local market's brand conscious nature and its affinity for US products. Despite these advantages, however, suppliers still have to convince both distributors/selling agents and end-users of their products' value proposition. Product warranties and after-sales service count in most, but not all, sub-sectors, given tight government and corporate budgets.

The more established industry players are looking for integrated, system-focused solutions, as opposed to purchasing individual products. Larger companies, for instance, are seeking access control technology that is integrated into the company's time and attendance payroll system. The same is true for fire alarms and fire extinguishers combined with fire detection, fire suppression or fire protection systems. Many buyers are seeking to "rationalize" security provisions by striking a balance between manpower requirements (i.e., deployment of security guards) and security equipment to achieve cost efficiency while addressing safety and security concerns.

Best Prospects

Industry insiders note increasing demand for the following products:
- Access Control Systems (locks, ID systems, card access, anti-intrusion systems, etc.) for both residential and commercial/industrial purposes
- CCTV and Digital Video Recorders (DVRs)
- Data Protection (Hardware and Software)
- Fire alarm systems, fire detection, prevention and/or suppression systems and similar equipment
- Industrial safety paraphernalia (e.g., protective gear, apparel, etc.)
- Integrated building management systems
- X-ray systems / container or cargo scanning equipment

U.S. Competitive Position

To fully penetrate the Philippine security market, U.S. companies should employ a "push" strategy. Many potential buyers are still unaware of the diversity of products for sale in the global marketplace and the benefits they can derive by using them. Market education must be a critical element of any marketing plan, particularly for high-tech products.

U.S. products are most competitive in the more sophisticated, high-end markets, where conformity to internationally recognized safety and security standards and specifications (UL listing, ISO certification, etc.) are imperative. The medium- and lower-ends of the market tend to be more price-sensitive. Therefore, stiff competition from lower-priced suppliers, notably China, Korea, and Taiwan and to some extent Israel, Germany and the United Kingdom has been observed in the last couple of years.

End Users / Sub Sector Prospects

A. Property and Buildings

Strong demand for building and property safety and security products exists for the following products and solutions: Burglar / Intrusion Alarm Systems, Access Control Systems (including exit devices, swipe cards, finger scanning equipment), Surveillance Systems (particularly Closed Circuit TVs or CCTV), Fire Alarm / Fire Detection Systems, Building Automation and Emergency Evacuation Systems.

In most shopping malls it is now common practice for security guards to manually check bags and other belongings at entrances and in some cases metal detectors and roaming SWAT teams with bomb-sniffing dogs are also used. Some high-profile establishments have walk-through scanners and related equipment to screen visitors and building tenants. As a precautionary measure, most banks now prohibit clients to use their cellular phones while inside their premises. Also, new residential communities are now equipped with simple to highly sophisticated security systems such as automatic gate systems. Highly sensitive building occupants such as diplomatic posts and multinational companies are continuously beefing up their security provisions, due to perceived threats.

B. Information & Data Security

In recent years, there has been growing need among Philippine companies for information and data security, in particular to secure their own IT networks. Although belatedly, many Philippine companies are following the global trend to implement preventive measures against security attacks (e.g., computer viruses, system hackers, etc.).

Still, the information and data security industry in the Philippines is still in its inception stage, meaning there is growing demand for firewalls, intrusion detection and response systems, anti-virus software, vulnerability assessment services and other related products and services.

C. Physical & Personnel Protection

The demand for personnel safety and security products, particularly protective gear and equipment, are still on the rise. This increase in demand can be attributed to such factors as growth in the number of firms establishing operations in industrial parks or export processing/special economic zones (specifically semiconductor, electronics assembly and other related enterprises). Further, demand for these products continues to be stable from hotels, hospitals and other service establishments where safety in the workplace is an integral part of day-to-day operations.

D. Airports & Air Transportation

At least five airport development projects are being contemplated in key Philippine provinces like Bohol, Palawan and Legaspi City. An integral part of such projects include safety and security systems, especially after the September 11 attacks. Likewise, at least eighteen of the existing domestic airports are in various stages of upgrade, rehabilitation, development or improvement. In this regard, walk-through scanners, baggage screening equipment, metal detectors, surveillance cameras, explosive detection systems, and the like are among the items usually required by enhanced security system design for these airport terminals.

E. Maritime and Port Facilities

The International Ship and Port Facility Security (ISPS) Code, which took effect in the Philippines and elsewhere in the world on July, 2004, has prompted a wave of activities and initiatives from both the government and the private sector to improve security in the country's international ports.

Recent terrorist activities and the persistent trafficking of persons and illegal substances have made Philippine ports vulnerable targets. These and related developments underscore the growing need for advanced security equipment and technology. Presently, the country's ports have varying levels of sophistication with regard to security infrastructure, as reflected in their respective port facility security plans (PFSPs). Industry insiders note that access control provisions and the training of port facility security officers and personnel to successfully implement their PFSPs are the most pressing security concerns for most ports.

F. Energy Supply Facilities
(e.g. Electric Power Plants, Distribution systems, Oil & Gas Field facilities, Pipeline networks, Refineries)

Energy supply facilities continue to be vulnerable targets to terrorists, saboteurs and other lawless elements. To address such concerns, oil and gas companies are relying on the expert advice of their security providers on what precautionary measures to follow, including the provision of additional safety and security equipment.

Industry sources forecast increased demand for surveillance and intrusion detection systems, high-voltage fencing (i.e., perimeter security), communication facilities (especially in remote areas) and related products.

G. Commercial and Retail Establishments

Over the past couple of years, key urban areas throughout the country have experienced significant growth in retail malls and commercial establishments, and this trend is expected continue over the next five years. Security remains a priority concern for these establishments, given the volume of people that they accommodate at any given time.

As previously mentioned, most retail establishments, especially the large commercial complexes, now have security personnel manning all entrances, inspecting bags and frisking store entrants.

Industry players note an increase in the demand for CCTV cameras and other surveillance equipment. Some establishments are now integrating Point of Sale (POS) terminals with these cameras. Over the past few years, more and more retail establishments (especially those located at big malls) have begun using security tags and walk-through scanners to prevent store theft.

H. Manufacturing, Industrial and Service Establishments

Prominent manufacturing, industrial and service establishments in the country have already experienced threats of sabotage, pilferage and attack. Given this trend, industry players note stable demand for various safety and security systems for the so-called "growth sectors" including high-tech industries (e.g., semiconductors, electronics, etc.); resource-intensive manufacturing establishments (e.g., chemicals, cement, mining); and service-oriented businesses (e.g., call centers and business process outsourcing companies, hotel and leisure industries, etc.).

Market Access

There are no significant barriers to entry, as evidenced by a good number of US companies and brands already in the Philippine market. Safety and security equipment and products are regulated by the Bureau of Fire Protection and other relevant government agencies (such as the Department of Trade and Industry's Bureau of Product Standards), and should comply with the Philippine Fire Code, Building Code and Electrical Code, the provisions of which largely follow U.S. standards and specifications.

US suppliers interested in the Philippine market typically appoint their own exclusive distributor or channel their products through some of the already known distributors, sales agents or retailers. Support from the principals usually come in the form of promotional materials, technical training and some promotional budget.

As mentioned previously, US companies should consider a "push" strategy when penetrating the Philippine security sector. Most potential buyers may not be aware that such products exist and consequently, what benefits or advantages they could derive from using those products. More often than not, end-users consider local experience and take special note of prominent local clients that have been served by the prospective supplier.

To drum up awareness and appreciation for their products, suppliers typically organize technical seminars or call on potential end-users for on-site demonstrations. The US

Commercial Service can help reach out to these target end-users through customized services available to U.S. firms interested in tapping the Philippine market.

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